

**SCE Comments on
CEC Draft Committee Report – Strategic Transmission Investment Plan
Integrated Energy Policy Report, Proceeding (06-IEP-1F)**

DOCKET 06-IEP-1F	
DATE	SEP 12 2007
RECD.	SEP 12 2007

SCE continues to support the development of a comprehensive transmission investment plan that stimulates transmission investments to ensure reliability, relieve congestion, and meet future growth in load and generation, including generation from renewable resources. SCE believes the CEC plays an important role in the development and facilitation of transmission construction and strongly encourages the implementation of changes to current processes and procedures that will ultimately lead to greater efficiencies and streamlining of the current transmission permitting and siting processes. Specifically, the CEC should continue to focus its efforts on the designation of transmission corridors and environmental information associated with these corridors.

SCE wholly supports the CEC-led corridor planning processes under Section 368 of the Energy Policy Act of 2005 and Senate Bill 1059. Further, SCE continues to believe an extension to the length of time a utility is permitted to keep the costs of land acquired for future needs in rate base is also meaningful and should be pursued. Clearly, the current five-year land banking requirement is not sufficient for utilities to perform long-term planning and adversely affects the development of transmission in critical areas of the state. SCE strongly encourages the CEC to work closely with the CPUC in establishing a proceeding to explore land banking issues and draft legislation revising the current statute to allow utilities to set aside land in rate base for longer periods of time than currently allowed by law.

As SCE previously stated in its comments filed in response to the CEC Staff Report Prepared in Support of the 2005 Integrated Energy Policy Report, Proceeding (04-IEP-01F), and again in response to the 2005 Strategic Transmission Investment Plan, SCE believes the establishment of a biological database to assess the environmental implications associated with transmission corridors will also help to facilitate the timely development of transmission facilities. While SCE's Planning Alternative Corridors for Transmission Lines (PACT) model will help ensure timely development of a web-based,

decision-making tool for assessing alternative transmission routes based upon environmental and engineering values, this model is based upon information prepared by utilities when studying specific transmission facility locations. SCE believes there is also a strong need for a database that can be used as a screening tool to determine better locations for transmission lines prior to the actual route designation process. Simply put, databases will help develop better conceptual corridors and transmission projects. With a better understanding of where development in a corridor will result in the least amount of environmental impacts, the time required for transmission siting could be decreased while conserving as much of the natural habitat as possible. Any transmission line sited in that particular corridor would not need a separate environmental assessment. Instead, a programmatic EIR would be created that is related to a specific corridor and not a specific transmission project. These studies would fit nicely with the environmental studies prepared in concert with the corridors designated under Section 368 of the Energy Policy Act. As CEC staff summarized in its report titled, "A Roadmap for Pier Research on Biological Issues of Siting and Managing Transmission Line Rights-Of-Way," issued in April 2004 (April 2004 Report), transmission corridors are often quite long and can affect several habitat types and species of concern within one corridor. Siting new lines is often complicated and lengthy and is also subject to public opposition due to biological, visual, real estate value, and health concerns. Strategies that identify opportunities to promote conservation within rights-of-way while maintaining system reliability could contribute to statewide conservation efforts, reduce negative public perception, and facilitate the siting of new, much-needed transmission lines.¹ Further, allowing utilities to designate and set aside corridors upfront could be a means to implement mitigation strategies and land conservation arrangements for environmental concerns. Such a process will allow utilities to set aside land for future use while preserving certain qualities associated with that land before, during, and after the construction of transmission facilities in the corridor.

Below, SCE has provided specific comments, by chapter, on the Draft Joint Committees Report of the 2007 Strategic Transmission Investment Plan ("Plan"). Many of the same

¹ Publication Number 500-04-031, p. i

topics are also covered in the executive summary of the Plan. SCE is hopeful that any changes made in the body of the report based on SCE's recommended revisions will also be carried forward to the language in the Executive Summary of the Plan.

SCE's Comments on Chapter 1

Page 15 - The Committees recommend that the Energy Commission support legislation that would allow IOUs to keep transmission corridor investments in their rate bases for as long as the Commission designates the transmission corridor zone in subsequent strategic plans, or until the Energy Commission repeals the designation.

SCE believes a transmission-owning utility should be able to reflect in rate base the costs of any right-of-way it acquires in an approved corridor. Any language referring to the repeal of a corridor designation should be deleted from any proposed legislation related to land banking. A utility that has purchased and set aside land in a designated corridor has undoubtedly acted in good faith. The designation of a corridor will require a high amount of scrutiny and review through an open stakeholder process. This land will not be acquired in a "hit-or-miss" fashion. As such, a utility should be allowed to recover in rate base the costs of the land located in a corridor for an indefinite period of time. Any uncertainty associated with a corridor's designation and whether or not that land may be reflected in rate base will only compound the difficulties and issues associated with land banking.

SCE's Comments on Chapter 2

Page 45 - The Committees recommend the establishment of a more cohesive statewide approach for renewable development that identifies preferred renewable generation and transmission projects in a "road map" for renewables.

SCE supports this concept; however, SCE believes the California Renewable Energy Transmission Initiative (CRETI), will in large part accomplish what the CEC is recommending here. SCE is hopeful that duplicate efforts will be avoided by both the CEC and the CPUC.

Page 47 - The Committees believe that a statewide renewable resources roadmap would also reduce the likelihood of federal government "takeover" of the state's transmission permitting in designated NIETCs in California pursuant to EPAct'05.

SCE would like to point out that there is no federal government "takeover" of the state's transmission permitting under the Energy Policy Act of 2005. Rather, the Energy Policy Act of 2005 carefully provides for instances where an entity may take its transmission project to the Federal Energy Regulatory Commission for permitting approval. While SCE certainly supports a statewide renewable resources process such as CRET, SCE recommends the paragraph on page 47 be deleted as it does not accurately reflect the true intent of the federal backstop siting process.

Page 55 - The California ISO has initiated a proceeding to develop tariff language (Remote Resource Interconnection Policy) for FERC's consideration. When exploring how to best structure the tariff, the Committee recommends that the California ISO should consider the benefits of renewable feed-in tariffs. The question that should be addressed is whether the RPS

tender process is really designed to produce the most renewables at the lowest cost or whether the state should consider the feed-in tariff structure that has worked well in Europe.

SCE believes that this recommendation seems to be out of context with the issues addressed in the Plan. Renewable feed-in tariffs, like the CEC is suggesting here, will not facilitate the earlier interconnection of renewable projects if the projects require transmission upgrades in order to interconnect. The CAISO and CPUC, along with various stakeholders in California are continually working on the development of processes to better facilitate renewable generation in California. SCE believes regulators at both the state and federal levels have expanded their thinking about which mechanisms are most likely to produce an environment which encourages the development of renewables at the lowest cost for consumers. However, SCE does not believe that renewable feed-in tariffs are the answer for California. As such, the proposal should be removed from the text of the report.

Page 56 - The Committees recommend that the California ISO should ensure that generation projects in the queue for electric grid interconnection are reviewed and updated so they can be prioritized. Projects with the greatest potential can be fast-tracked, and projects that have languished and not made progress can be eliminated. Periodically cleaning up the queue in this way will move viable projects forward to more favorable positions in the queue.

While SCE believes the current generator interconnection queue is rife with issues, this recommendation seems to be entirely in conflict with FERC regulations and the CAISO tariff related to the Large Generator Interconnection Process (LGIP). Unfortunately, the CAISO can not easily modify its tariff and the provisions of the LGIP, nor can projects that have languished in the queue be “eliminated” by the CAISO or a utility. There are specific LGIP processes associated with queue position and any changes to these processes must be approved by FERC. The Committees’ recommendations on this issue can not easily be accommodated and should be removed from the Plan.

Page 56 - The Committees also recommend that the California ISO should continue to approve new renewable interconnections before the completion of transmission network upgrades. The California ISO should account for market/system operation protocols under its new market structure (known as Market Redesign and Technology Upgrade) when performing generation interconnection studies; and, offer the option of “congestion management” or voluntary curtailment to grant transmission access to interconnection customers. This would include all renewable generators provided that the projects do not create congestion and impact existing market participants.

Like the preceding recommendation, this recommendation seems to be entirely in conflict with FERC regulations and the CAISO tariff related to the LGIP. Unfortunately, the CAISO can not easily modify its tariff and the provisions of the LGIP. The Committees’ recommendations on this issue can not easily be accommodated and should be removed from the Plan.

Page 57 - Interconnection studies performed by the California ISO should also account for the diversity of generation output within a cluster development, and not assume that all interconnecting generators run at full capacity, for example thermal generators can essentially be dispatched at any level at any time. The probability that some of the generation within a cluster may not be developed should also be considered.

Again, this recommendation seems to be entirely in conflict with FERC regulations and the CAISO's LGIP. This proposal should also be removed from the Plan.

Page 57 - The California ISO should, to the extent feasible, coordinate and synchronize interconnection studies within its transmission planning process. Better coordination would mean more cost effective and scaled transmission upgrades. If possible, interconnection studies should be combined with the California ISO long-term transmission planning process.

SCE agrees that synchronizing interconnection studies with the CAISO's transmission planning process would certainly help to streamline transmission planning in California. However, interconnection studies are performed at the request of an interconnecting generator. The CAISO and the transmission providers have no control over generators and when those generators choose to get into and drop out of the interconnection queue. As such, the coordination and synchronization of such studies is virtually impossible. SCE suggests that this recommendation be deleted from the Plan.

SCE's Comments on Chapter 3

Page 87 – The Committees recommend that the Energy Commission should support legislation that would allow investor-owned utilities to keep transmission corridor investments in their ratebase for as long as the Energy Commission designates the transmission corridor zone in subsequent Strategic Plans or until the designation is repealed.

SCE strongly supports legislation that would allow utilities to keep transmission corridor investments in their ratebase for longer than five years.

However, any language referring to the repeal of a corridor designation should be deleted from any proposed legislation related to land banking. A utility that has purchased and set aside land in a designated corridor has undoubtedly acted in good faith. The designation of a corridor will require a high amount of scrutiny and review through an open stakeholder process. This land will not be acquired in a "hit-or-miss" fashion. As such, a utility should be allowed to recover in rate base the costs of the land located in a corridor for an indefinite period of time. Any uncertainty associated with a corridor's designation and whether or not that land may be reflected in rate base will only compound the difficulties and issues associated with land banking.

Page 88 - Currently, the CPUC performs a non-wires alternative analysis as part of the environmental review process initiated with a Certificate of Public Convenience and Necessity filing. The Committees recommend that the Energy Commission explore options for, and identify the potential benefits of, earlier consideration of non-wires alternatives in statewide planning processes.

SCE is concerned with consideration of non-wires alternatives being considered as part of the statewide transmission planning process. Non-wires alternatives are not a substitute for transmission. Further, generation and transmission play different roles and are not direct substitutes. They have unique economic lives, availability features, performance risks, and regulatory/statutory obligations. If generation proposals were allowed to push out needed transmission expansion, increases in generator local market power and an ability to game the market may result. Any kind of tradeoff process will take the focus off of determining the least cost, best fit for proposed transmission projects and their alternatives.

However, SCE does believe that the CEC's biennial IEPR and the CAISO's annual transmission planning studies must be reconciled. Consideration must be given to transmission projects identified in the off-years of the IEPR process so PTOs can begin development of those projects. The parties can not afford to wait nearly two years between IEPR processes. This waiting time will cut into project development schedules and increase the risk of a PTO not meeting a planned in-service date.

SCE's Comments on Chapter 4

Page 96 - The LEAPS project meets all the requirements for inclusion in the *2007 Strategic Plan*. it could be on line by 2017, although there are still issues to be resolved with both the Federal Energy Regulatory Commission (FERC), and the California ISO.

SCE believes the LEAPS project proponents have proposed the project as being online in 2009 or 2010, not 2017.

Page 96 - The 500 kV line would have a nominal rating of 1,500 MW and could increase import capabilities into the San Diego area by as much as 1,000 MW (Nevada Hydro presentation at May 14, 2007 CEC workshop).

SCE recommends adding clarifying language to this statement – there have been no formal studies performed that calculate the increase in import capability into the SDG&E service territory. Further, WECC has not completed its line rating study so the nominal rating numbers are not certain at this point in time.

Page 96 - Project costs are estimated at approximately \$350 million for the transmission line and substations and \$450 million for the pumped storage facility.

It may be important to note that FERC's Environmental Impact Report estimated project costs to be in the \$1.1 – 1.3 billion range, significantly higher than the original estimates provided by The Nevada Hydro Company, Inc.

SCE appreciates this opportunity to comment on the CEC's Draft Committee Report – Strategic Transmission Investment Plan and looks forward to working with the Commission and its staff to finalize the Plan.